

TOWNSHIP OF SAGE
Gladwin County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Sage	County Gladwin
Fiscal Year End March 31, 2008	Opinion Date July 8, 2008	Date Audit Report Submitted to State July 10, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

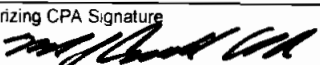
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707		License Number 1101007803	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	

TOWNSHIP OF SAGE
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 8, 2008

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sage, Gladwin County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sage's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sage, Gladwin County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SAGE
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Sage covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$860,997.30 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$475,316.69 from governmental activities. Governmental activities had a \$9,264.80 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

TOWNSHIP OF SAGE
Gladwin County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	378 011	305 989
Capital Assets	<u>601 280</u>	<u>593 055</u>
Total Assets	<u>979 291</u>	<u>899 044</u>
Current Liabilities	-	-
Non-current Liabilities	<u>127 559</u>	<u>38 047</u>
Total Liabilities	<u>127 559</u>	<u>38 047</u>
Net Assets:		
Invested in Capital Assets	473 721	555 008
Unrestricted	<u>378 011</u>	<u>305 989</u>
Total Net Assets	<u><u>851 732</u></u>	<u><u>860 997</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges for Services	146 095	152 436
General Revenues:		
Property Taxes	125 797	132 040
Other Taxes	-	360
State Revenue Sharing	182 404	183 876
Interest	3 937	3 470
Miscellaneous	<u>11 300</u>	<u>3 135</u>
Total Revenues	<u>469 533</u>	<u>475 317</u>
Program Expenses:		
Legislative	19 154	18 187
General Government	98 106	103 458
Public Safety	76 025	80 095
Public Works	212 324	259 664
Culture and Recreation	1 150	947
Interest on Long-Term Debt	<u>9 136</u>	<u>3 701</u>
Total Expenses	<u>415 895</u>	<u>466 052</u>
Increase in Net Assets	53 638	9 265
Net Assets, April 1	<u>798 094</u>	<u>851 732</u>
Net Assets, March 31	<u><u>851 732</u></u>	<u><u>860 997</u></u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS (continued)

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position for the governmental activities remain strong.

We continue to pay our loan through Chemical Bank. Our original loan was taken out on August 31, 2000, in the amount of \$420,000.00. It is now down to \$38,047.09.

Our external debt was paid off on April 1, 2008.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township had General Fund expenditures in excess of revenues for the year in the amount of \$72,021.61.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$89,511.41 of principal on the note payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable value.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk or Township Treasurer at 1831 Pratt Lake Road, Gladwin, Michigan 48624.

TOWNSHIP OF SAGE
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	278 550 82
Taxes receivable	<u>27 438 57</u>
Total Current Assets	<u>305 989 39</u>
NONCURRENT ASSETS:	
Capital Assets	658 855 00
Less: Accumulated Depreciation	<u>(65 800 00)</u>
Net Capital assets	<u>593 055 00</u>
TOTAL ASSETS	<u><u>899 044 39</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NONCURRENT LIABILITIES:	
Note payable	<u>38 047 09</u>
Total Noncurrent Liabilities	<u>38 047 09</u>
Total Liabilities	<u>38 047 09</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	555 007 91
Unrestricted	<u>305 989 39</u>
Total Net Assets	<u>860 997 30</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>899 044 39</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	18 186 68	-	(18 186 68)
General government	103 458 07	12 121 00	(91 337 07)
Public safety	80 095 43	3 750 00	(76 345 43)
Public works	259 663 98	136 565 18	(123 098 80)
Culture and recreation	947 14	-	(947 14)
Interest on long-term debt	3 700 59	-	(3 700 59)
Total Governmental Activities	<u>466 051 89</u>	<u>152 436 18</u>	<u>(313 615 71)</u>
General Revenues:			
Property taxes			132 040 15
Other taxes			360 00
State revenue sharing			183 875 43
Interest			3 469 89
Miscellaneous			<u>3 135 04</u>
Total General Revenues			<u>322 880 51</u>
Change in net assets			9 264 80
Net assets, beginning of year			<u>851 732 50</u>
Net Assets, End of Year			<u>860 997 30</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND

March 31, 2008

	<u>General</u>
<u>Assets</u>	
Cash in bank	278 550 82
Taxes receivable	<u>27 438 57</u>
Total Assets	<u>305 989 39</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>305 989 39</u>
Total fund equity	<u>305 989 39</u>
Total Liabilities and Fund Equity	<u>305 989 39</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCE – GOVERNMENTAL FUND	305 989 39
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet:	
Capital assets at cost	658 855 00
Accumulated depreciation	(65 800 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:	
Note payable	<u>(38 047 09)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>860 997 30</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2008

	<u>General</u>
Revenues:	
Property taxes	132 040 15
Other taxes	360 00
Licenses and permits	4 011 00
State revenue sharing	183 875 43
Charges for services	5 710 00
Interest	3 469 89
Rent	6 150 00
Special assessments	136 565 18
Miscellaneous	<u>3 135 04</u>
Total revenues	<u>475 316 69</u>
Expenditures:	
Legislative:	
Township Board	18 186 68
General government:	
Supervisor	6 422 85
Elections	2 133 49
Assessor	28 509 66
Clerk	9 703 92
Board of Review	1 200 00
Treasurer	15 868 00
Building and grounds	31 395 15
Public safety:	
Fire protection	74 369 35
Planning and zoning	5 726 08
Public works:	
Highways and streets	124 201 54
Sanitation	135 462 44
Culture and recreation:	
Parks and recreation	947 14
Debt service	<u>93 212 00</u>
Total expenditures	<u>547 338 30</u>
Excess (deficiency) of revenues over expenditures	(72 021 61)
Fund balance, April 1	<u>378 011 00</u>
Fund Balance, March 31	<u><u>305 989 39</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND (72 021 61)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(8 225 00)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>89 511 41</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>9 264 80</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sage, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sage. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township and the Townships of Buckeye, Hay, Gladwin, Grout and Sherman and the City of Gladwin jointly formed the Gladwin Rural Urban Fire Protection District to provide fire protection service for the seven local governmental units. For the fiscal year ended March 31, 2008, the Township of Sage paid \$73,219.35 to the Fire District. The Fire District is not considered a part of the reporting entity of the Township of Sage. Separate financial statements of the Fire District may be obtained directly from their office at 710 East Cedar Avenue, Gladwin, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.7769 mills, and the taxable value was \$75,890,216.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40-60 years
Furniture and equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>278 550 82</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	184 149 76
Uninsured and Uncollateralized	<u>97 543 91</u>
Total Deposits	<u>281 693 67</u>

The Township of Sage did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	191 855 00	-	-	191 855 00
Buildings	455 000 00	-	-	455 000 00
Equipment	12 000 00	-	-	12 000 00
Total	658 855 00	-	-	658 855 00
Accumulated Depreciation	(57 575 00)	(8 225 00)	-	(65 800 00)
Net Capital Assets	601 280 00	(8 225 00)	-	593 055 00

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all elected officers and full-time employees. The Township contributes 6.2% of each covered employee's wages to the plan. Each covered employee also contributes 6.2% of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2008, was \$2,106.79.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 8 – Building Permits

The Township of Sage does not issue building permits. Building permits are issued by the County of Gladwin.

Note 9 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Note payable – township hall	127 558 50	-	89 511 41	38 047 09
Total	127 558 50	-	89 511 41	38 047 09

Note 10 – Note Payable – Township Hall

On August 31, 2000, the Township entered into an installment purchase agreement, whereby the Township obtained a \$420,000.00 loan from Chemical Bank to partially fund the construction of a new Township Hall. The loan requires monthly payments in the amount of \$3,601.00, including principal and interest at the rate of 6.25% per annum, subject to future adjustment. As of March 31, 2008, the principal balance outstanding was \$38,047.09. On April 1, 2008, the Township paid the remaining outstanding balance of \$38,047.09 and interest of \$369.91.

TOWNSHIP OF SAGE
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	138 000 00	138 000 00	132 040 15	(5 959 85)
Other taxes	360 00	360 00	360 00	-
Licenses and permits	11 000 00	11 265 00	4 011 00	(7 254 00)
State revenue sharing	180 000 00	180 100 00	183 875 43	3 775 43
Charges for services	3 500 00	3 500 00	5 710 00	2 210 00
Interest	3 000 00	4 200 00	3 469 89	(730 11)
Rent	11 000 00	11 000 00	6 150 00	(4 850 00)
Special assessments	135 000 00	135 000 00	136 565 18	1 565 18
Miscellaneous	500 00	1 500 00	3 135 04	1 635 04
Total revenues	<u>482 360 00</u>	<u>484 925 00</u>	<u>475 316 69</u>	<u>(9 608 31)</u>
Expenditures:				
Legislative:				
Township Board	35 700 00	35 700 00	18 186 68	(17 513 32)
General government:				
Supervisor	6 500 00	6 500 00	6 422 85	(77 15)
Elections	3 400 00	3 400 00	2 133 49	(1 266 51)
Assessor	34 600 00	34 600 00	28 509 66	(6 090 34)
Clerk	10 600 00	10 600 00	9 703 92	(896 08)
Board of Review	2 210 00	2 210 00	1 200 00	(1 010 00)
Treasurer	16 500 00	16 500 00	15 868 00	(632 00)
Building and grounds	49 380 00	52 080 00	31 395 15	(20 684 85)
Public safety:				
Fire protection	71 200 00	76 200 00	74 369 35	(1 830 65)
Planning and zoning	7 450 04	7 450 04	5 726 08	(1 723 96)
Public works:				
Highways and streets	144 200 00	145 700 00	124 201 54	(21 498 46)
Sanitation	136 500 00	136 500 00	135 462 44	(1 037 56)
Culture and recreation:				
Parks and recreation	3 800 00	3 800 00	947 14	(2 852 86)
Debt service	94 000 00	94 000 00	93 212 00	(788 00)
Total expenditures	<u>616 040 04</u>	<u>625 240 04</u>	<u>547 338 30</u>	<u>(77 901 74)</u>
Excess (deficiency) of revenues over expenditures	(133 680 04)	(140 315 04)	(72 021 61)	68 293 43
Fund balance, April 1	<u>357 090 82</u>	<u>357 090 82</u>	<u>378 011 00</u>	<u>20 920 18</u>
Fund Balance, March 31	<u>223 410 78</u>	<u>216 775 78</u>	<u>305 989 39</u>	<u>89 213 61</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Wages	2 300 00
Audit and accounting	2 400 00
Memberships and dues	1 530 99
Printing and publishing	1 687 58
Insurance	900 00
Equalization	3 693 12
Payroll taxes	1 225 93
Pension	2 106 79
Contracted services	1 218 10
Miscellaneous	1 124 17
	<u>18 186 68</u>
Supervisor:	
Salary	6 200 00
Supplies	222 85
	<u>6 422 85</u>
Elections:	
Wages	1 212 38
Miscellaneous	921 11
	<u>2 133 49</u>
Assessor:	
Contracted services	27 597 00
Expenses	912 66
	<u>28 509 66</u>
Clerk:	
Salary	9 500 00
Office expense	203 92
	<u>9 703 92</u>
Board of Review:	
Wages	1 200 00
	<u>1 200 00</u>
Treasurer:	
Salary	14 500 00
Office expense	1 368 00
	<u>15 868 00</u>
Building and grounds:	
Insurance	4 434 00
Utilities	7 764 25
Custodian	3 640 00
Repairs and maintenance	15 556 90
	<u>31 395 15</u>
Fire protection:	
Wages	1 150 00
Contracted services	73 219 35
	<u>74 369 35</u>
Planning and zoning:	
Wages	2 790 04
Permit fees	900 00
Printing and publishing	549 75
Administrator fees	1 175 00
Miscellaneous	311 29
	<u>5 726 08</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Highways and streets	<u>124 201 54</u>
Sanitation:	
Contracted services	135 049 44
Compost site	<u>413 00</u>
	<u>135 462 44</u>
Parks and recreation	<u>947 14</u>
Debt service	<u>93 212 00</u>
Total Expenditures	<u><u>547 338 30</u></u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>2 278 926 12</u>	<u>2 278 926 12</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	273 934 31	273 934 31	-
Due to others	<u>-</u>	<u>2 004 991 81</u>	<u>2 004 991 81</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>2 278 926 12</u>	<u>2 278 926 12</u>	<u>-</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash on hand and in bank – beginning of year	<u>-</u>
Cash receipts:	
Property tax	2 277 078 12
Animal licenses	<u>1 848 00</u>
Total cash receipts	<u>2 278 926 12</u>
Total beginning balance and cash receipts	<u>2 278 926 12</u>
Cash disbursements:	
Township General Fund	273 934 31
Clare-Gladwin ISD	140 932 08
Gladwin Community Schools	610 395 91
Gladwin County	1 157 483 82
Mid-Michigan Community College	84 512 83
Refunds	<u>11 667 17</u>
Total cash disbursements	<u>2 278 926 12</u>
Cash on Hand and in Bank – End of Year	<u><u>-</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 8, 2008

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the financial statements of the Township of Sage for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sage in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sage
Gladwin County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants